

**Department of Personnel Administration
Memorandum**

TO: Personnel Management Liaisons (PML)

SUBJECT: 2006 Employer Health Benefit Contributions - Unit 2 and Unit 7	REFERENCE NUMBER: 2006-022
DATE ISSUED: 07/12/06	SUPERSEDES:

This memorandum should be forwarded to:

**Employee Relations Officers
Personnel Officers
Personnel Transation Supervisors**

FROM: Department of Personnel Administration
Benefits Division

CONTACT: Nancy Hollins, Personnel Program Advisor
(916) 324-3438
Fax: (916) 322-3769
Email: nancyhollins@dpa.ca.gov

This memo provides important information on the new dependent vesting schedule for the employer CoBen allowance for employees in Bargaining Units (BU) 2 and 7.

As a result of recent collective bargaining agreements, employees in BU2 and BU7 who are first hired and first become eligible for health benefit enrollment on or after July 1, 2006, are subject to a two-year vesting schedule for the health portion of the employer benefit allowance for dependents. Employees with previous health enrollment as State employees are not subject to the vesting requirements.

The vesting schedule only impacts 2-party and Family health enrollments and does not affect the employees or dependents actual health coverage. The vesting schedule requires employees with 2-party or Family health enrollments, to contribute additional out of pocket expenses. BU2 or BU 7 employees who are first hired on or after July 1, 2006 will receive the following:

1. Fifty (50%) percent of the normal employer dependent portion of the contribution upon initial enrollment;
2. Seventy-five (75%) percent of the normal employer dependent portion of the contribution upon completion of 12 months of service; and
3. One-hundred (100%) percent of the normal employer dependent portion of the contribution upon completion of 24 months of service.

Departments are responsible for adhering to the dependent vesting schedule for new employees hired into BU2 or BU7.

Effective July 1, 2006 through December 31, 2006, the monthly employer CoBen allowances for BU2 and BU7 employees who are subject to the 50% dependent vesting schedule are:

Employee	\$365
Employee plus 1 dependent	\$544
Employee plus 2 or more dependents	\$663

The CoBen Benefit Allowance amounts for existing BU2 and BU7 employees are not impacted and will remain unchanged. DPA will issue a separate Personnel Management Memo regarding the 2007 monthly employer CoBen allowance for dependent vesting.

IDENTIFICATION

Starting 07-01-2006, SCO will identify employees who are newly hired into an E02, R02, E07 & R07 (DPA does not anticipate any "new" E02 or E07 positions) position or have newly established health coverage. SCO will place the employee at a vesting rate level of 50%.

Any existing R02, E02, R07 & E07 employees on July 1, 2006 are "grand fathered" into the vesting process and will receive a 100% state share, whether they currently have health coverage or not. They will not be tracked for vesting purposes.

An employee receiving a 100% rate level in a non-vesting CBID changes to a vesting CBID, he/she will retain his 100% rate level. If an employee in a vesting CBID receiving a vesting rate level of 50% or 75% leaves the vesting CBID and goes to a non-vesting CBID, the rate level changes to 100%. If the employee returns to a vesting CBID at a later date he/she retains the 100% rate level.

Being enrolled in CoBen cash has no effect on the employee's rate level.

TRACKING

Once identified, SCO will track the number of health deductions that apply for an employee to determine their vesting rate level. SCO will process payroll transactions to change an employee's vesting level when appropriate.

MONTHLY PROCESS

One day prior to master cut-off SCO will identify new appointments, changes into and out of vesting CBIDs, permanent separations and newly established health coverage, which has occurred since the prior month's master cut-off. SCO will also identify health deductions that applied the prior month and incorporate any manual health retroactivity.

HEALTH RETROACTIVITY

SCO will no longer be able to use their automated Health Retroactive program to process retroactivity for vesting employees and will process retroactive adjustments manually. This will cause a one to two month delay in the processing of these adjustments.

VIEWDIRECT

SCO will make the vesting tables available in report format on the SCO ViewDirect system. This will enable agencies to verify an employee's vesting status and to aid them in answering questions from their employees.

If you have any questions regarding the information provided, please contact Nancy Hollins at (916) 324-3438.

/s/ Debbie Endsley

Debbie Endsley, Chief
Benefits Division